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NEAR EAST/AFRICA BRANCH
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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INTELLIGENCE SUMMARY

Vol. IV No. 18

For Week Ending
11 May 1949

GREECE

Coalition weakened: Although the new Sophoulis Government promptly secured a 224-47 vote of confidence when Parliament reconvened on 2 May, the vote largely represented an attitude of government-as-usual on the part of certain political leaders, and the new Liberal-Populist coalition may soon be in for internal troubles. The recent levelling of smuggling charges against Minister without Portfolio Markezinis, although resulting directly only in the elimination of Markezinis and two colleagues from the present cabinet, has also revived old political tensions to a marked degree. As a result of their role in stirring up the Markezinis affair, the Populists (who still command the largest Parliamentary delegation) have not only piqued the King and lost a certain amount of popular support but have also aroused active criticism by their Liberal colleagues. The somewhat uncontrollable Minister of Labor, Sophocles Venizelos, has already threatened to withdraw his wing of the Liberal Party from support of the coalition, while other Liberal elements not now represented in the government have attacked the Populists and registered sympathy for Markezinis. The Liberal-Populist cooperation on which the coalition is based would probably already have been lost had it not been for the sobering presence of US aid representatives in Athens and the Olympian disdain with which Sophoulis has generally regarded routine political disturbances.

The present state of affairs will probably encourage a temporary alliance between Sophoulis, who feels strongly about the threats to his government, and such exponents of "strong government" as General Papagos and Markezinis himself (who has won his first court test on the charges against him). Although the Greek leaders will move cautiously lest they jeopardize the renewal of US aid appropriations, this unofficial grouping will probably welcome new tests of strength at the expense of the Populists, and the Liberal Party will probably come out strongly in favor of early elections, in the hope of displacing the Populists as the largest single party in Parliament.

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Since it would be difficult to hold national elections within the next few months, however, the net result may be further political crises in which the present Liberal-Populist coalition would be displaced by a new combination of Liberals and exponents of strong government.

Balkan conciliation: While UN General Assembly President Evatt's current attempt at conciliation will probably be unsuccessful, it may prove to be of some propaganda value to the Greeks. The draft agreement proposed by Evatt--which calls for establishment of border controls and a joint Frontier Commission to settle disputes, negotiation of new frontier conventions, and early exchange of diplomatic representatives--avoids the substantive question of the Greek claims to Northern Epirus (Southern Albania) which enabled the satellites to reject his similar plan last fall. Although Greece would probably be inclined to approve the plan in its present form, there is no indication that the Soviet-satellite attitude which blocked agreement last November has changed. Thus the Greeks might be able to point to their own reasonableness as opposed to the intransigent attitude taken by Albania.

Military developments: Guerrilla activities in northern and central Greece belie the "peace" proposals recently bandied about by the guerrillas. More heavy equipment, including four German tanks, has reportedly arrived in the Vitsi area, into which reserves have been brought from Albania so as to maintain guerrilla strength at about 6,000 despite the dispatch of some units to other areas. While sizable Greek Army forces were engaged in the defensive holding of some 4,000 guerrillas in the 130-odd square miles of the Grammos border salient, new anti-guerrilla operations were started on 5 May against two guerrilla divisions in the mountains of central Greece. These operations represent a further step in the program of restoring public order which was begun in the Peloponnesus last winter. Although little has yet been reported, it is encouraging to find Greek forces able to undertake such action so soon after the heavy guerrilla attack in the Grammos area, particularly since the guerrillas are likely to attempt further major offensives in the frontier zone for the purpose of counteracting the Greek Army's progress.

TURKEY

Inflation spiral: The cost of living in Turkey has been rising at an alarming rate during recent months. One of the major causes has been

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the use of a somewhat devious method of finding markets for Turkey's exports in an effort to obtain sorely needed foreign exchange.

To begin with, high prices in Turkey interfere with the normal process of selling exports to help pay for indispensable imports, both capital and consumer goods, on which the Turkish economy is dependent. The Turks accordingly fall back on compensation trade to keep exports moving. This, in turn, has the inflationary effect of boosting still further the price the Turkish consumer must pay for imported products.

The scheme works like this. A barter agreement is privately concluded with a certain country for the sale of \$10 million worth of Turkish tobacco in exchange for automobile tires, pharmaceutical goods, and other manufactured products also totaling \$10 million. The tobacco, however, cannot be sold at the price demanded, but the importers in the country concerned agree to pay \$7 million for the tobacco plus \$3 million to be collected from their fellow-nationals who are exporting tires, etc. to Turkey as part of this deal. In this way, Turkey moves its exports and also obtains needed manufactured products, but the cost must be borne by the Turkish consumer, who has to pay greatly increased prices for the products imported. In effect, he is paying \$10 million (plus customs duty, transaction and miscellaneous other taxes, insurance, freight, importer's profit, etc.) for \$7 million worth of goods. Thus the imported article may cost the user many times what it is worth. The scheme, which has long been used by Turkish traders, has recently been adopted by the government itself.

No end is in sight to this inflationary spiral unless the government (which makes a great show of criticizing the practice) follows its own precept, stops this vicious type of compensation trade, and finds other ways of selling the high-priced exports. One partial solution, as the long-range ECA development programs go into effect, might be provided by a strictly enforced program of nation-wide austerity. The difficulty is that such stern peacetime measures do not generally increase a government's popularity (outside the British Isles, at any rate). And next year in Turkey is an election year. So it looks as though the harassed Turkish Government will be in severe trouble over economic conditions and will be damned for what it does and damned for what it doesn't do.



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**IRAN**

Shah's victory: Following passage by the Majlis on 4 May of a bill to create a Senate, the Constituent Assembly on 3 May approved two constitutional amendments proposed by the Shah. One new article authorizes the sovereign to dissolve the Chamber of Deputies and the Senate, and another article sets up a new procedure for revision of the constitution. Establishment of the Senate, provided in the 1906 constitution, has long been urged by the Shah, who is entitled to appoint half of its sixty members. Until the attempt on his life, the Shah found little support for his plans to gain greater power by changing the constitution. Following this event, the Majlis promptly authorized the convocation of the Constituent Assembly (it met on 21 April) and then passed the Senate bill. The unexpected speed with which the Constituent Assembly approved the Shah's constitutional amendments may be partly attributable to the great care exercised by the court-army group in supervising the elections to the Assembly.

NOTED IN BRIEF

Patriarch Athenagoras has made an excellent impression upon the Turks, who view most favorably his reiterated statement that Greeks of the Orthodox Church who are Turkish nationals must regard themselves, first,

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as citizens of the country in which they live. The patriarch may do much to dissipate lingering, ancient antipathy between the Ottoman Turks and this long-established minority group.

The first shipment of ECA-financed products has arrived in Turkey. It is appropriate, in this agricultural country of primitive farming methods, that the cargo consisted largely of farm machinery. This should help increase the production of exportable crop surpluses, one of the principal aims of the ECA program in Turkey.

Egyptian troops completed their withdrawal from the Bethlehem-Hebron area on 2 May, and Arab Legion forces took up the former Egyptian positions, thus removing one nettle in Jordan-Egyptian relations. The irregular headquarters under which the Egyptians operated in this area is now disbanded, and its 3,800 component troops, including volunteers of various Arab areas as well as Saudi regulars, are believed to have been demobilized or returned home.

A new Jordanian Cabinet was formed on 7 May. The only changes are the inclusion of three Palestinian Arabs in the posts of Foreign Affairs, Agriculture, and Communications. The move presages no change in government policy. Its main purpose is undoubtedly to lay a groundwork for the eventual absorption of Arab Palestine into Abdullah's kingdom. A further indication of the same trend is the recent announcement that the country would henceforth be known as Jordan.

May Day celebrations in Israeli cities give substance to reports of increased Communist activity in the new state. Soviet flags and pictures of Stalin marked the parades, which were well organized in the Communist fashion. Recently Khalid Baghdash, head of the Communist Party in Syria, visited Haifa, and reports indicate that Communists are crossing from Lebanon into Israel at Rumeish.

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Prime Minister Riad el Sohl of Lebanon has departed on a tour of the Arab capitals in an effort to dispel Arab disunity and to find a common position on which the Arabs can agree. Specifically, he will try to smooth relations between Syria and the Hashimite kingdoms of Iraq and Jordan.

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The Iraqis are fearful that a severe shortage of male date flowers will seriously affect this year's date crop. Perversely, the males bloomed well in advance of the females; moreover, they are small in size and are now afflicted with an unattractive fungus growth or mold. Basra date-growers blame this condition on freakish spring weather. Some sources fear, however, that disease rather than irresistible spring caused the males' precocity.

* * *

Increased Soviet Naval activity in the Caspian Sea, including the concentration of naval craft at Baku, where units were loading stores and fueling, and the holding of maneuvers, has been reported by the Iranian consul at Baku. While such Soviet activity on the Caspian disturbs the Iranians and might foreshadow new tactics in the Soviet campaign against Iran, it is probable that the Soviet fleet is only carrying on normal periodic exercises.

* * *

Iran is acting warily toward a Soviet proposal to exchange steel and cement for rice and dried fruit. While Soviet trade, once an important part of Iran's foreign trade, has dwindled to almost nothing, the Iranians suspect that the Soviet offer may be designed to disrupt Iranian negotiation with other customers rather than to restore normal commercial relations. And they also fear Soviet sharp practice if a deal is made. The Iranian Cabinet has therefore decided to hold negotiations open no more than a month and to insist that any agreement reached be on a government to government basis, with quantities and prices specified.

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The Shahsevan tribes of northeastern Azerbaijan, which play an important role in the Iranian Army's frontier defense system, are reportedly threatened with famine because of drought which is said to have killed off nine-tenths of the tribesmen's transport animals and three-fourths of their sheep.

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